

June 11, 2013

Hon. Jack Brandenburg  
Chairman  
Committee on Finance  
Michigan Senate  
P.O. Box 30036  
Lansing, MI 48909-7536

Re: SB 0142 and SB 0143

Dear Chairman Brandenburg:

On behalf of Compuware Corporation ("Compuware") I am writing in support of two bills pending in your committee, SB 0142 and SB 0143. This legislation clarifies that remote access to computer software via Software as a Service ("SaaS") transactions is a service not subject to Michigan's sales and use tax. I urge you to favorably report these bills out of committee at the earliest opportunity.

Headquartered in Detroit, Compuware is the largest high-tech company based in Michigan. With more than 1900 employees in the state and over 4400 worldwide, Compuware solutions make the world's most important technologies perform at their best for leading organizations worldwide, including 46 of the top 50 Fortune 500 companies and 12 of the top 20 most visited U.S. web sites.

As both a provider and consumer of SaaS, a type of cloud computing supplied remotely over the internet, Compuware faces uncertainty regarding the proper Michigan sales and use tax treatment of these remote access transactions. In SaaS transactions, the customer does not enter into an agreement to license the software, they are merely subscribing to a service. The customer never downloads any software and never has possession or control of the software. The provider of the service has full possession and control of the software and uses the software to provide a service to the customer. As such, these transactions are clearly outside the Michigan sales and use tax statutes.


Michigan currently does not apply sales tax to services; however, it appears that Treasury has extrapolated the current tax law to an information technology area that did not exist when the sales tax authorities were written in regards to software.

Compuware's business model is constantly transforming in response to the rapid growth in the cloud computing industry. In fact, one of our fastest growing business units, Covisint, has a bright future as it leverages SaaS models to further support the demand from our customers.

As such, we are concerned about the negative impact on this growing business should the legislature not adequately address this tax matter. With the growing demand for cloud computing, Senate Bills 0142 and 0143 would establish a clear, pro-business tax environment that will encourage technology companies like Compuware to continue to invest in Michigan as the industry grows in the future.

Compuware strongly believes Senate Bills 0142 and 0143 will positively impact Michigan's business climate and urges your support of these much needed bills. Please contact me at 313-227-7869 if you have any questions.

Respectfully submitted,

  
Michael D. Lax  
Vice President - Taxes

CC: Senators Pappageorge, Proos, Marleau, Colbeck, Robertson, Jansen, Nofs, Bieda, Warren

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